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Agenda Item 4d

April 11, 2011

TO: MEMBERS OF THE INVESTMENT POLICY SUBCOMMITTEE

- I. **SUBJECT:** Adoption of Policy on Inflation Assets and its Components: Commodities and Inflation-Linked Bonds
- II. **PROGRAM:** Global Fixed Income
- III. **RECOMMENDATION:** Recommend to the Investment Policy Subcommittee adoption of the Statement of Investment Policy for Inflation Assets and its components: Commodities and Inflation-Linked Bonds

IV. ANALYSIS:

This policy reflects the extraction of the infrastructure and forestland sections out of the Inflation Linked Asset Class (ILAC). These programs were moved into the Real Estate Program. This left the commodity and inflation linked bonds in ILAC.

Other than the elimination of infrastructure and forestland sections from the ILAC policy, the only changes were on Section V (page 3 of 4) where program targeted allocations and ranges were changed to reflect the new asset allocation targets of 1% for commodities and 3% for inflation linked bonds.

Wilshire's opinion letter is Attachment 1.

V. STRATEGIC PLAN:

This item will further the following goals of CalPERS Strategic Plan:

Goal I: Exercise global leadership to ensure the sustainability of CalPERS pension and health benefit systems.

Goal VIII: Manage the risk and volatility of assets and liabilities to ensure sufficient funds are available, first, to pay benefits and second, to minimize and stabilize contributions.

Goal IX: Achieve long term, sustainable, risk-adjusted returns.

VI. RESULTS/COSTS:

The results of this item will provide CalPERS with the enhanced efficiencies and ability to manage the overall portfolio. This policy will provide a foundation for compliance, accountability, and transparency

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